



Facts about Possessory Interests

What are taxable Possessory Interests?

A taxable possessory interest may occur whenever a private person or entity rents, leases, occupies, controls or has the right to beneficial use in publicly-owned real property. It may be created or acquired through a contract, lease, concession agreement, license, permit, verbal agreement, or simply by possession or occupation without agreement. The use of the property may be concurrent or alternating with another use or user.

What are examples of Possessory Interests?

- Boat moorings, skiff racks, slips, and storage for boats at public harbors and ports.
- Private possession and use of residences that are owned by public agencies.
- Airplane tie downs, hangars, concessions, and commercial buildings at public airports.
- The right to graze livestock on public land.
- Concessions at publicly-owned golf courses, parks, stadiums, and other facilities.

Are Possessory Interests new?

In the 1850's and 1860's, assessment rolls in many counties consisted in large part of possessory interests. Today, possessory interests in California constitute thousands of property assessments and amount to a significant part of the property tax base for our counties, cities, and school districts.

How are Possessory Interests taxable?

Publicly-owned property is tax exempt as it is held by the entity to provide a service or public enjoyment. Publicly-owned property providing beneficial use to a private person or entity is no longer available for public use and thus the "possession" becomes taxable to the individual or entity receiving the beneficial use.

Similarly, landlords of privately-owned taxable property relinquish the beneficial use of their property to an individual or entity who in turn pays property taxes indirectly through rents paid for possession.

How are Possessory Interests valued?

Possessory interests are appraised under the guidelines of the California State Constitution and "Proposition 13." The rights of the possessor are appraised at a leasehold market value, which is then enrolled as the taxable value. Once a base value is set, that value plus a maximum of 2% per year indexing will remain the taxable value until a new appraisal occurs. A reappraisal may be triggered by a change in ownership, new construction, or when the term used for appraisal purposes (either the lease term or the typical use term for that type of possessory interest) is over.

Possessory interests are assessed to the possessor of record as of lien date (12:01 a.m. January 1) of each year. *The possessor of record on lien date is responsible for the entire year's taxes.*

If you disagree with the taxable value of your possessory interest, you may request a review of the assessment with the County Assessor's office, or file an appeal in the County Clerk's Office.

This information is a synopsis of taxable possessory interests. You may call the Assessor's office for more specific information. *The information in this pamphlet reflects California assessment/taxation laws in effect January 1, 2004.*